
Newport Student Housing

Expansion of the Hatfield Marine Science
Center in Newport

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The City of Newport

Final Report

ECONorthwest
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Executive Summary

Newport's South Beach is a developing ecodistrict, with a broad range of ocean-observing organizations, such as: NOAA Marine Operations Center, the Oregon Coast Aquarium, the Oregon Museum of Science and Industry's Coastal Discovery Center, the Hatfield Marine Science Center (HMSC), and other businesses and government agencies. Oregon State University (OSU) is planning for an of the HMSC campus in South Beach, as part of the University's Marine Studies Initiative.

The City of Newport and Lincoln County support HMSC expansion. However, they also recognize that the growth of students, faculty, and staff resulting from the HMSC expansion could increase the pressure in Newport's already tight housing market, in the absence of proactive planning. The City, County, and OSU want to ensure that growth of the student presence will not displace Newport's workforce and residents from existing housing, which requires planning for student housing development.

This report was developed as the first step in proactively planning student housing development in Newport. This report was developed in collaboration with an Advisory Committee of staff from Newport, Lincoln County, OSU, the Oregon Coast Community College, Department of Land Conservation and development, and other stakeholders in Newport such as landowners, real estate professionals, and representatives from other cities in Lincoln County.

Hatfield Marine Science Center Expansion Plans

OSU is planning to expand the HMSC as part of the University-wide the Marine Studies Initiative, which will bring about 500 undergraduate and graduate students to the HMSC as an integral part of their studies at OSU. Student growth will result in demand for between 85 and 160 units of student housing, plus need for 40 units of non-student housing for graduate students. As part of the expansion, OSU plans to add 40 to 60 faculty and staff, resulting in the need for 40 to 60 dwellings, some in Newport and some in nearby areas and communities.

Potential Impact of HMSC Expansion on Newport's Housing Market

The 2011 Newport *Housing Needs Analysis* report concluded that Newport has a limited supply of multifamily housing and that the city lacks affordable workforce housing. In addition, the city's housing stock is aging, with some housing in poor condition. There has been little new multifamily rental development in Newport since 2000.

Examination of newer information about Newport's housing market, as well as interviews with real estate and other stakeholders, confirm these issues. Newport's housing market continues to be very tight (with a vacancy rate of around 4%) and housing affordability, especially for renters, continues to be a concern for Newport's workforce and other residents.

Given these conditions, growth in the number of HMSC students, in the absence of student housing development, has the potential to displace existing renters in Newport. OSU students in Corvallis generally pay between \$650 and \$800 per month for rent, both at housing managed by OSU and in private student-oriented housing. If students at HMSC can pay the same rent in Newport as they do in Corvallis and live in a two-person unit, they could pay \$1,300 to \$1,600 per month in rent. In comparison, average rent in Newport is currently about \$775 per unit per month.

Given the lower cost of housing in Newport, most HMSC students might have a preference for market-rate multifamily housing in Newport, if it is available. If student housing is available and OSU has an active role in managing student housing, students in Newport for part of the year and some year-around students may prefer student housing because of the convenience of living in housing managed by OSU, both for ease of paying for housing and for ease of moving between Newport and Corvallis during the school year. In addition, Newport landlords may be generally unwilling to rent to students who will be in Newport for less than a calendar year.

As a result, ensuring that student housing is built is important for HMSC students. It is a priority for the City of Newport to ensure that Newport's workforce and existing renters are not displaced by students.

Potential Sites for Student Housing

Discussions with the Advisory Committee identified the following characteristics as being important for a new student housing site: (1) a site at least five acres and potentially 10 to 15 acres, (2) within two miles of HMSC, (3) south of the Yaquina Bay Bridge, (4) accessible by bicycle and pedestrians, (5) accessible by automobiles and transit, (6) existing access to water and wastewater services, (7) outside of the tsunami inundation zone (as required by ORS 455.446 to 455.447), (8) owned by an owner willing to develop student housing, and (9) in an area with access to retail and service amenities.

This project identified an area in South Beach with several sites that meet these criteria. The site best suited for student housing is within the Wilder development, which is an area being developed with single-family and multifamily housing. The Wilder site includes an area of about three buildable acres that could accommodate student housing. In addition, two properties adjacent to the Wilder property, the BGB Parcels and the GVR Parcel, have potential for student housing. Both areas would require transportation and other infrastructure investments, as well as entitlement and other administrative changes, to make them development-ready.

Outside of these three areas, Newport has no other sites that meet the criteria for student housing. Other sites would take longer and be more expensive to make development-ready.

Policy Actions to Ensure Student Housing Development and Support HMSC Expansion

The Advisory Committee reviewed and discussed a wide range of approaches available to encourage and facilitate student housing development. The Committee also considered approaches to facilitate multifamily housing development, as some graduate students and staff may prefer to live in rental housing in Newport. The following recommendations from ECONorthwest are based on discussions with the Advisory Committee, as well as discussions with Newport staff.

Strategies to support continued collaboration about student housing development

- **The City and County should express a preference for direct and proactive involvement from OSU in student housing development.** The City and County prefer that OSU have greater involvement in operations of the student housing development, by either developing and operating the student housing facility or by working with a private developer to develop student housing that OSU manages.
- **Given the limited number of available sites that meet the criteria for student housing development, OSU should be proactive in securing a development site.** ECONorthwest recommends that OSU secure a property for development or obtain an option to purchase (or lease) a property as soon as possible. Wilder is proceeding with development and the flexibility to incorporate student housing will decrease over time. Other sites may become unavailable for development, if landowners make other development plans.
- **OSU may need to develop a phasing strategy for HMSC expansion that includes managing student growth and timing of student housing development.** An important part of ensuring that students have housing in Newport as the HMSC grows is timing the development of student housing with the growth of students in Newport. ECONorthwest recommends that OSU develop a phasing strategy for HMSC expansion that includes managing the timing of student growth with student housing development.
- **The City, County, OSU, and OCCC should continue to work together to facilitate expansion of the HMSC and student housing development.** The City, County, OSU, and OCCC continue to actively collaborate together and with other stakeholders about the HMSC expansion and student housing development.
- **The City of Newport, Lincoln County, and other cities in Lincoln County should continue to coordinate about issues related to housing and the HMSC expansion that may affect the entire county.** While undergraduate students are most likely to need housing in South Beach, HMSC's faculty, staff, and some graduate students may prefer to live in other parts of Lincoln County. ECONorthwest recommends that the County and all of the cities in it continue to actively collaborate on issues related to HMSC expansion, especially housing.

Policies and strategies to support student and multifamily housing development

- **The City and County should work together, and with other cities in the County, to decide whether to offer a multiple-unit tax exemption.** This tax exemption could be used to encourage development of multifamily, student housing, and other housing in Newport or other cities in Lincoln County.
- **The City and County should work together, and with other cities in Lincoln County, to evaluate options for using CDBG or Section 108 funds to encourage development of multifamily housing that includes low-income and workforce housing.** One of the ways to decrease potential impact of student growth on Newport's housing market is to encourage development of more multifamily housing, such as low-income subsidized and workforce housing. We recommend that the City, County, and other cities in Lincoln County evaluate options to use CDBG funds or Section 108 loans to support multifamily housing development.
- **The City of Newport should consider options for offering SDC financing or credits to encourage multifamily or student housing development.** The City already offers SDC credits to some developers. The City should weigh the trade-offs in lowering SDCs to encourage multifamily or student housing development.
- **The City of Newport should encourage and facilitate development of retail and service amenities in South Beach.** These amenities would include a grocery store, restaurants, banks, and other retail and services to serve students, residents, and employees in South Beach.
- **The City of Newport should make policy amendments, as necessary, to support student housing development and HMSC expansion.** We recommend that the City adopt policy amendments to encourage development of multifamily housing, including student housing, throughout the City.

In addition, the City should adopt implementation measures to: (1) work with Lincoln County to evaluate the use of the multiple-unit tax exemption to support multifamily development, (2) work with Lincoln County to evaluate the use of CDBG and Section 108 funds to support development of subsidized low-income and (where applicable) workforce multifamily housing, and (3) work with property owners around the Wilder development and the Oregon Department of Transportation to coordinate the amount, type, and density of residential development in this area.

Introduction

Oregon State University (OSU) is planning for an expansion of the Hatfield Marine Science Center (HMSC), which is located in Newport's South Beach area. The most up-to-date estimate from OSU staff is that the expansion is expected to accommodate approximately: (1) 40 to 60 new faculty and staff members, (2) about 400 undergraduate students (with 300 students in Newport during most university terms), and (3) about 100 graduate students. OSU faculty, staff, and students will need part-time and year-round housing in Newport.

New faculty, staff, and students at the HMSC will result in demand for 165 to 260 new units,¹ about 85 to 160 of which will be student housing in multifamily structures. Most undergraduate and many of the graduate students are likely to live in Newport, if housing is available. Some faculty and staff will choose to live in Newport, some will choose to live in nearby communities, and some may choose to commute into Newport from Corvallis.

The City of Newport contracted with ECONorthwest to work with City staff and an advisory committee to better understand the potential impacts of expansion of the OSU Hatfield Marine Science Center (HMSC) on Newport's housing market. ECONorthwest worked with the City to develop the Newport *Housing Needs Analysis* in 2011, as well as updating the Housing Element of Newport's Comprehensive Plan.² This project will build on the technical and policy work completed as part of development of Newport's Housing Needs Analysis (HNA). The focus of this project is updating key parts of the factual base in the 2011 *Housing Needs Analysis*, identifying suitable sites for student housing, assessing the potential impact of student housing on Newport's rental market, and identifying policies and strategies to ensure that the necessary student housing is developed.

¹ The estimate of 165 to 260 new units assumes: demand for: (1) 40 to 60 units for faculty and staff (some may choose not to live in Newport), (2) 40 single-family dwellings and 10 multifamily student housing for graduate students (with an average of two graduate students per unit), and (3) 75 to 150 units of multifamily student housing for undergraduates.

² <http://www.thecityofnewport.net/dept/pln/PlansandDocuments.asp>

1.1 Definitions

This section defines student housing and workforce housing, as these terms are used in this report.

Student Housing

Throughout this report, we discuss “student housing” and the housing needs of students. The term “student housing” is used in this report to describe housing that is intended to be occupied predominantly by students, such as students at HMSC or at the Oregon Coast Community College. If housing is built or managed by a college or university such as OSU, occupants of that housing can be restricted to students.

Housing that is privately-owned and managed may be intended for occupancy by students, but federal housing policy does not allow privately-owned housing to exclude potential renters based on whether or not they are a student. As a result, non-students can occupy privately-owned student housing. In addition, students can (and often do) occupy market-rate housing, such as single-family detached houses or apartments.

The term “student housing” implies a specific type of building and a range of unit configurations. Student housing is typically built in multifamily buildings, with more than three dwelling units per structure and often more than five dwelling units per structure. The dwelling units in student housing buildings range from: a private room (e.g., a one-room living space, often with a shared bathroom), a shared room with two or more occupants (e.g., a shared dorm room), or two or more private rooms with a shared common area and bathrooms (e.g., four occupants with four private bedrooms, two shared bathrooms, and shared common space).

The types of amenities in a student housing building (or group of buildings) vary. Some university-owned and managed student housing includes a place for meals and may include common areas outside of the dwelling units. In privately developed and managed student housing buildings, amenities often include common areas, recreation areas, or a fitness center.

In summary, student housing can be managed by the university or a private owner, it is typically in a multifamily structure, there are a range dwelling unit configurations, and a range of amenities is available in the building or complex.

Low Income and Workforce Housing

This report presents tools that are used to facilitate the development of affordable “subsidized housing” and “workforce housing.” The following definitions describe terms used in this report, related to housing affordability.

Table 1 presents information about income and housing costs in Lincoln County in 2014.

- **Housing affordability.** HUD's standard for affordability is that housing costs should be 30% or less of a household's gross income. In Lincoln County, a household that earns the County's Median Family Income (MFI) of \$55,700 per year has a monthly income of about \$4,640 and can afford up to \$1,390 per month in housing costs.
- **Low-income subsidized housing.** Families earning less than 50% of MFI are often eligible for federally-subsidized housing programs, such as the Section 8 Housing Choice Voucher program. These households are often referred to as low- or very low-income households.
- **Workforce housing.** HUD defines workforce housing as housing that is available to households earning between 50% and 120% of median family income. Households in the 50% to 80% group are generally renters. Workforce housing for people earning 80% to 120% of MFI may be for renters or homeowners.

In Lincoln County, families with income of 50% of MFI can afford about \$700 per month in rent. The median gross rent in Newport is about \$780 per month.³ A family earning 120% of MFI (nearly \$67,000) can afford a house costing about \$200,000, which is comparable to the median housing sales price in Newport in 2014.

Table 1. Income as a Percentage of Median Family Income, Lincoln County, 2014

Percent MFI	Annual Income	Monthly Income	Monthly Affordable Housing Cost
30%	\$16,710	\$ 1,390.00	\$420
50%	\$27,850	\$2,320	\$700
80%	\$44,560	\$3,710	\$1,110
100%	\$55,700	\$4,640	\$1,390
120%	\$66,840	\$5,570	\$1,670

Source: ECONorthwest; HUD Income Limits, 2014

³ US Census American Community Survey, 2008 to 2012 5-year data

1.2 Oregon State University's expansion plans

OSU's plans for expansion of the HMSC is part of the Marine Studies Initiative, which is a broad interdisciplinary initiative across the University. The goal of the Marine Studies Initiative is to bring about 500 students to the HMSC, as an integral part of their studies at OSU.⁴ The expansion of the HMSC is expected to occur over an approximately 10-year period.

At this time, the vision for the expansion of the HMSC is will result in growth of:

- 400 juniors and seniors in studying in Newport⁵
 - About 80% (roughly 300 students) will be in Newport for 1 or 2 terms. OSU staff currently expect to have roughly 300 part-year students during any given term.⁶
 - About 20% (roughly 100 students) will be in Newport for the entire school year (September through June) or calendar year
 - Undergraduate students will be at the HMSC for all four terms, **with roughly 300 students in Newport during any term**, roughly 100 full-year students and 200 part year students.⁷
- 100 grad students, the majority of whom will be in Newport for 1 or more years.
- 40 to 60 new faculty and staff, all of whom will live in Newport year-round
 - 20 to 25 will be new faculty
 - 20 to 50 will be new staff

The housing needs of new students, faculty, and staff will vary based on the length of their stay in Newport and their ability to pay for housing. Broadly speaking, the new housing needs of faculty, staff, and students at the expanded HMSC can be broken down into the following categories:

⁴ HMSC currently has 60 to 80 students per year, with about 50 students at HMSC at any given time.

⁵ In addition, the Hatfield Marine Science Center will continue to have students take short, intensive courses. These students generally come to Newport for about two weeks. They are currently housed in facilities at the Hatfield Marine Science Center. They will continue to be housed in these facilities, for the foreseeable future.

⁶ If all part-year students were in Newport for one-term, then during the three-term school year, 900 students part-year students would study at the Hatfield Marine Science Center.

⁷ Currently, summer and spring terms have the largest number of students at the HMSC, with the fewest students in fall and winter. OSU expects the number of students at HMSC to roughly divide among the four terms. But the summer and spring terms may continue to be the terms with the largest number of undergraduate students.

- **Part-year (one- or two-term) housing for students.** This housing would probably resemble the types of housing available at the main OSU campus or in the private housing market in Corvallis, with two or more students to a unit and private bedrooms. We assume that these students would be willing and able to pay approximately the same amount for housing in Newport as they do in Corvallis.
- **Full-year housing for students.** This housing will likely take a variety of forms. Some student may prefer to live in housing specifically designed for students, such as a unit with one or more other students with private bedrooms and shared bathrooms and common areas. We assume that these students would be willing and able to pay approximately the same amount for housing in Newport as they do in Corvallis.

Other students may prefer to live in traditional multifamily to single-family housing, alone, with roommates, or with their family. The large majority of this housing will be rental housing. As the following section discusses, the supply of this type of rental housing is tight in Newport.

- **Long-term housing for faculty and staff.** Faculty and staff will need a range of housing, from multifamily to single-family housing. Depending on their income and the cost of housing, some faculty and staff may rent and some may own their housing. This is probably some combination of single-family and maybe multifamily housing, some rental and some ownership. As the following section discusses, the supply of affordable housing of these types is tight in Newport.

1.3 City of Newport and OSU Roles in Student Housing Development

A key outcome of this project is a set of strategies and policies that can ensure production of student housing, timing development so that it is available as it is needed to accommodate growth at the HMSC. The City will not be the developer of housing, nor will they be the primary consumer of student housing. However, to make student housing development easier and increase the likelihood of timely student housing development the City can play the following roles:

- **Facilitate discussions about development of student housing.** The City is doing this, as part of this project and through discussions with partners and interested parties. As part of this role, the City is bringing interested parties together to discuss the opportunities, challenges, and solutions for student housing. The City can partner with OSU and developers by ensuring the necessary stakeholders are at the table, making the development process easier and faster, and identifying ways to lower development costs.

- **Identify potential sites for student housing.** The City is working with OSU, landowners, and other stakeholders to identify potential sites for student housing. The area identified as being most appropriate for student housing, based on the desired characteristics for a student housing site, is in or around the Wilder development, near Oregon Coast Community College. Other sites may be identified as being good candidates for student housing, as this project progresses.
- **Ensure the necessary zoning and development standards are in place.** One of the City's primary roles in facilitating any type of development is to ensure that the site for student housing has zoning that allows the type and density of housing necessary for student housing. Zoning standards should allow for development of multifamily buildings, such as multi-story buildings or townhouses.
- **Ensure availability of infrastructure and services.** The City should ensure that adequate infrastructure or services are available for the development site. Key infrastructure includes transportation access, municipal water, wastewater service, and stormwater management. The site for student housing needs to be accessible by car and potentially by bus or shuttle bus, preferably from local roads with a connection to Highway 101. The site should also be accessible to bicycles and pedestrians, with safe connections to HMSC.
- **Expedite the development process.** The City can facilitate student housing by expediting the development process. This may mean faster processing of the development application. It can also involve shepherding the development application(s) through the entire development process, helping to solve development issues, and ensuring that there has been adequate involvement with key stakeholders and public officials to avoid any delays in the process.
- **Lower development costs to the developer.** The City can take actions to lower development or operational costs to the developer, through tools such as giving SDC credits or property tax abatements or helping to assemble land. Most cities reserve these tools for use on projects that further specific city goals (e.g., creating denser development in downtown or redevelopment of a long-vacant site) and where financial assistance is necessary to make a project financially viable. The City can also help developers through technical assistance for packaging local, state, and federal tools.

Newport is already engaged with the first four of these actions. The City is facilitating the process and helping to develop partnerships, through this project and other efforts. The City has identified the Wilder development, along with adjacent properties, as potential sites for student housing development. One reason these areas are under consideration is that they are largely serviced, have

good transportation access, and because the City is developing a pedestrian and bicycle path from South Beach to the Oregon Coast Community College.

OSU also has a critical role in ensuring the development of student housing. As plans for the HMSC expansion become clearer, the University will need to define its role in student housing development in more detail. Some parts of OSU's role are described in brief below:

- **Initiate and participate in partnerships.** Like the City, OSU can participate in public and private partnerships with public organizations (such as the City or the Oregon Coast Community College), nonprofits (such as the Lincoln Community Land Trust), landowners, developers (both for-profit and nonprofit developers), financiers, and other stakeholders.
- **Clarify plans about growth.** OSU is in the process of developing internal plans for the marine studies initiative, which is driving the HMSC expansion. OSU expects to have clearer plans for the HMSC expansion in the spring of 2015, which will bring clarity to student housing needs.
- **Develop a housing transition process for students coming to and leaving the HMSC.** One of the challenges that OSU will face in expanding the HMSC is developing a process for students to transition easily from housing in Corvallis to housing in Newport and back to housing in Corvallis. This will be especially important to students who study at the HMSC for part of the year.
- **Help mitigate uncertainty about student housing demand.** Private student housing developers will be concerned about several aspects of the HMSC expansion: uncertainty about when HMSC will start attracting more students, uncertainty that demand for student housing will continue over the long-term, and uncertainty that students will choose to live in the student housing development. OSU can help mitigate uncertainty by being an active and collaborative partner with the developer, and through agreements with the private developer about occupancy (such as an occupancy guarantee) or developing a housing transition process.
- **Establish role in development.** OSU may choose to participate in the actual housing development by paying some development costs, day-to-day management of the housing, or financing the project. OSU's options for its role in developing student housing for students at HMSC are:
 - **Student housing developed by OSU.** The University could design, build, finance, and operate any new student housing facilities. This is typically how OSU has expanded student housing in Corvallis and gives the University a high degree of control over the student experience, rates, leasing, timing of capacity, etc. Although this scenario would easily integrate into OSU's overall campus plan and would offer a high degree of fidelity with current OSU housing

operations, it involves a high degree of risk on the part of the University. As there is no partner entity, OSU must bear the full financial responsibility of the operation. With this option, student housing would generate no property tax, as OSU would be the property owner.

- **Private Development with OSU as Operator.** In this type of development, student housing would be funded in part by a non-profit housing foundation but designed and built by the University, a developer, and a bonding entity. OSU would master lease the housing facility from the bonding entity.

This option would require an RFP process and would prioritize the financial performance of the project over the student experience. The University needs to invest little in the project but still faces a moderately high financial risk if the project fails to perform. If OSU or a nonprofit were the owner of the land and buildings, the student housing would generate no property tax.

- **Private Development with Private Operator with OSU Affiliation.** Student housing in this scenario would be funded, designed, and built by a private developer on land leased to them by OSU. The University would have greater control of the building design if the facility were built on campus grounds, though it is often difficult to adjust operations due to leasing terms. This type of development involves a small degree of risk to the institution and a modest financial return. In addition, the University program would be secondary to the private developer recouping its investment in the project. With OSU as the land owner, the land would generate no property tax. If the facility and property were to be privately owned then the buildings and other improvements would generate property taxes.
- **Private Development with Private Operator with No OSU Affiliation.** This scenario offers the least risk and the least control of operations for the University. The facilities would be funded, designed, and built by the developer on land they have purchased. Students would perceive this as a type of off-campus housing, unaffiliated with the institution. Rents and student experience would be completely market-driven and in all likelihood would need to appeal to sections of the community as well as the student body. If the private developer is a for-profit developer, the land, buildings, and other improvements would generate property tax.

1.4 Organization of this Report

The remainder of this report is organized as follows:

Chapter 2 Potential Impact of Growth at the Hatfield Marine Science Center on Newport's Housing Market briefly summarizes the findings of the 2011 Housing Needs Analysis, the potential impact of HMSC expansion on Newport's housing market, and an update of Newport's inventory of residential buildable land.

Chapter 3 Potential Sites for New Student Housing identifies sites available for student housing development.

Chapter 4 Tools for Housing Development describes tools available to encourage and support student housing development.

Chapter 5 Next Steps presents the next steps and recommended actions for the City, Lincoln County, and OSU.

2 Potential Impact of Growth at the Hatfield Marine Science Center on Newport's Housing Market

This section presents ECONorthwest's evaluation of the potential impacts of student growth on Newport's housing market. It starts with relevant key findings from the 2011 *Housing Needs Analysis* about housing demand in Newport. The second part of this section describes the impact that student growth will have on the rental market and rents in Newport, as well as potential private-sector interest in student housing development.

2.1 Impact on housing demand

This section describes the potential impact of student growth on Newport's housing market.

Key findings from the 2011 Housing Needs Analysis

The following are the characteristics of Newport's housing market, as identified in the 2011 HNA, that will influence the housing market response in Newport to growth of enrollment at the HMSC. Except where noted, the information in this section is from the U.S. Census American Community Survey (ACS), either from the 2005 to 2009 ACS or from the 2008 to 2012 ACS (the most recently available ACS data for Newport).

- **Newport has a limited supply of multifamily housing.** About two-thirds of Newport's housing is single-family detached or manufactured housing. A little more than 30% (1,700 units according to the 2005-2009 ACS) of Newport's housing is single-family attached (e.g., townhouses) or multifamily housing (e.g., duplexes, tri-plexes, or structures with more than five units). Some of Newport's multifamily dwellings are intended as second homes or vacation rentals.
- **Newport has experienced limited multifamily rental apartment development.** While 32% of the new dwellings permitted in Newport during the 2000-2010 period were multifamily, the vast majority of multifamily housing was intended as second homes, with some vacation rentals. In short, the market is producing virtually no multifamily dwellings for local residents and workers.

Between 2011 and 2013, nearly all newly-permitted housing was single-family detached housing, with three duplexes and a townhouse permitted.

- **Aging housing stock.** Nearly 20% of the city's housing stock was built before 1950. Data collected as part of the housing needs analysis suggests

that the condition of some rental housing in Newport is poor. The condition of rental housing, combined with the higher rental costs (relative to nearby communities), negatively affects potential renters' willingness to rent in Newport.

- **Average median contract rent increased at a slower pace than housing prices.** Between 2000 and the 2005-2009 period, rent increased from a median of \$512 per month to \$586 per month, an increase of 14%. By the 2008-2012 period, median rents were \$686 per month and gross rent was \$778 per month.

These rental costs are relatively consistent with costs reported by real estate stakeholders in Newport in 2014, with rents at professionally-managed units approximately at or below \$775 per month.

- **Lack of affordable workforce housing in Newport.** Housing in Newport became much less affordable between 2000 and 2010—particularly to working households:
 - More than one-third of Newport households could not afford a two-bedroom apartment at HUD's fair market rent level of \$759 in the 2005-2009 period.
 - Newport had a deficit of nearly 500 affordable housing units for households that earned less than \$25,000.
 - Over the 2005-2009 period, 39% of Newport's households were cost-burdened, with 51% of renters and 30% of owners cost-burdened. The percentage of households that were cost burdened remained about the same for the 2008-2012 period.
 - Sale price for single-family dwellings increased by nearly 50% between 2000 and 2010, with average sales prices at \$233,000 in 2010. Median sales prices in Newport were about \$216,000 by the end of the Third Quarter in 2014.⁸
- **Substantial in-commuting by workers at Newport businesses who live in outlying areas.** Evidence suggests that some households live in nearby communities because they cannot afford housing in Newport, or they can get housing they prefer in nearby communities (e.g., larger units with more amenities), or for both reasons. In 2008, 68% of residents of Newport worked in Lincoln County, with 50% working in Newport. Data from the American Community Survey show that gross rent in Newport was \$651 compared to \$669 in Toledo, \$592 in Waldport, \$372 in Siletz, and \$493 in Eddyville in the 2005-2009 period.

Data from the U.S. Census shows that Newport businesses continues to

⁸ Median sales price data from Zillow.com.

have substantial in-commuting, with about 70% of people working in at Newport businesses characterized as non-residents.

In summary, the HNA concluded that Newport has a deficit of housing affordable to households earning less than \$25,000, which accounted for one-third of Newport's households. In addition, more than two-thirds of workers at businesses in Newport commute into Newport for work. This evidence suggests that Newport has an existing shortage of housing available to lower-income households.⁹

Examination of newer Census and other data about Newport's housing market shows that Newport continues to have a shortage of affordable housing, with a deficit of 500 units affordable to households with income below \$25,000, and that in-commuting continues to be very common for people who work in Newport. Anecdotal evidence, from discussion with stakeholders in Newport, also suggests that Newport has a shortage of rental housing in good condition that meets the needs and preferences of, and is affordable to, some moderate-income households.¹⁰ Real estate stakeholders in Newport report that the vacancy rate for rental housing is currently less than 5%. This comparatively low vacancy rate demonstrates that Newport's housing market is fairly tight, excluding second homes and vacation rentals, indicating possible demand for new rental housing in Newport that is affordable to moderate- and low-income households.

⁹ Affordable housing professionals generally define lower income households as those earning less than 50% of median family income (MFI). In 2014, Lincoln County's MFI was \$55,700, according to HUD. A low income household would earn less than about \$28,000.

¹⁰ Moderate-income households generally earn between 60% to 80% of MFI or \$33,000 to \$45,000 in 2014 in Lincoln County. Housing affordable to moderate-income households is also referred to as "workforce housing."

Potential Impacts of Growth at the Hatfield Marine Science Center on Newport's Housing Market

Our evaluation of the potential impact of growth at the HMSC focuses on two questions:

1. What impact will student have on the rental market and rents in Newport?
2. Will student demand be sufficient to generate private sector interest in building student housing in Newport?

Impact on the rental market

- **Projected OSU faculty, staff and students will increase Newport's population by about 4%.** The proposed growth at the HMSC will result in direct growth of about 450 people at the HMSC during any given term,¹¹ some or all of who will live in Newport. Growth of this number of people will increase Newport's population by about 4%. For context, Newport's population grew by about 628 people between 2000 and 2013.

The population forecast used for the HNA shows Newport growing by 1,603 people between 2011 and 2031, at an average annual growth rate of 0.7%. Growth of about 450 people will account for more than one-quarter of the growth anticipated in the HNA.

- **Expansion of the HMSC will create demand for 165 to 260 new dwellings (an approximate 2% to 4% increase in Newport's housing stock), with the most pressure on growth of multifamily housing.** The number and type of units needed for the new approximately 450 new people (during any given term) associated with the HMSC can be disaggregated, as described below.
 - Assuming that each of the faculty and staff need their own dwelling (e.g., that none are married couples), they will need 40 to 60 dwellings. These dwellings would be a mixture of owner- and renter-occupied dwellings. While the majority of faculty and staff may prefer and be able to afford single-family dwellings, some may prefer multifamily dwellings. Faculty and staff may choose to locate near the HMSC, in other parts of Newport, or in communities or rural areas near Newport.¹²

¹¹ This report and project only address the direct effects of growth at the Hatfield Marine Science Center. Oregon State University has a separate contract with ECONorthwest to develop an analysis of the broad economic impacts of growth of the Hatfield Marine Science Center, including direct, indirect, and induced effects on employment and on economic output.

¹² We assume that the majority of faculty and staff will work at the HMSC for multiple years.

- Graduate student housing needs will vary, from single-family detached housing (with a single graduate student or multiple graduate students) to multifamily housing (with a single graduate student or multiple graduate students). Nearly all graduate students will live in renter-occupied housing. We assume that 80% of graduate student housing will be accommodated in single-family detached housing with one other graduate and that 20% of graduate students will choose to live in multifamily housing with one other graduate student. Under these assumptions, graduate students would occupy 40 single-family dwellings and about 10 multifamily dwellings.
- Assuming that, on average, the 300 undergraduate students in Newport during any given term live in two- or four-person units (with some in single-person units and some in three- or five-person units), undergraduate students will need 75 to 150 new units. All or nearly all of these will be rental units. Many will be multifamily units in structures with five or more units. Some graduate students or a few full-year undergraduate students may choose to live in single-family detached housing.
- Overall, an increase of 165 to 260 new units is relatively small within Newport's housing market, accounting for a 2% to 4% increase in the number of dwelling units (the 2008-2012 ACS reported Newport had 5,597 dwelling units). An increase of up to 80 new single-family dwellings is relatively small, with an increase of about 3% of this housing type.
- An increase of 85 to 160 multifamily units in structures with five or more units, however, is an increase of about 7% to 15% for this type of housing (the 2008-2012 ACS reported Newport had 1,015 dwelling units). This increase has potential for a larger impact on Newport's rental housing market, especially since some existing multifamily housing are second homes or vacation rentals. The remainder of this section focuses on housing for students.
- **Student housing costs at OSU in Corvallis are generally higher than housing costs in Newport.** The median gross rent in Newport (which includes utilities) is nearly \$800 per month. Rents are generally higher for dwelling units with more bedrooms than in units with fewer bedrooms.

Students at OSU generally pay between \$650 to \$800 per month for rent, both at housing managed by OSU and in private student-oriented housing in Corvallis. Assuming that two students shared a unit, they could pay \$1,300 to \$1,600 per month in rent, if they are willing to pay the same amount in rent in Newport as in Corvallis.

Given the rent differential between median gross rent in Newport (\$778 per month) and the amount paid in rent by two students sharing a unit at

OSU (\$1,300 to \$1,600 per month), students will have a preference for market-rate multifamily housing in Newport, if it is available. Some factors that would prevent or discourage students from choosing market-rate housing in Newport are: (1) landlords that are unwilling to rent to students who will be in Newport for less than a calendar year, (2) convenience of living in housing managed by OSU, both for ease of paying for housing and for ease of moving between Newport and Corvallis during the school year, (3) insufficient affordable rental housing located near the HMSC or on the south side of the Yaquina Bay Bridge (especially if student parking is not available at the HMSC), (4) amenities offered at OSU managed housing (such as meals), or (5) amenities offered at privately managed student housing (such as recreational amenities).

- **Students in Newport for less than the full school year would likely have trouble finding housing.** About 60% of the students at the HMSC (300 students) will be in Newport for one or two terms, which is three to six months. The remaining students will be in Newport for a school year, and possibly for a calendar year or longer.

Students in Newport for one or two terms would likely have difficulty finding rental housing in Newport's existing housing, despite the potential for higher rental costs for students. It seems likely that most landlords or rental agencies would strongly prefer to rent to tenants who will stay more than a few months.

- **Year-round students would increase pressure in Newport's rental market, if no new housing were built.** About 200 students are expected to be in Newport year-round. At an average of two-persons per dwelling unit, these students would require 100 dwelling units. The current vacancy rates of less than 5% demonstrates that Newport's year-round housing market is relatively tight. Without development of more housing, demand for 100 additional units will make it harder for to find rentals in Newport.

Assuming that these students were able to pay at least current market rates for rent in Newport or possibly more, they would put additional pressure on Newport's housing market, eventually resulting in higher rents. The pressure would be greatest on rental housing in the South Beach area and other areas south of the Yaquina Bay Bridge, where students are more likely to live because of easier transportation access (especially by bicycle) to the HMSC. As a result, some people who want to live in Newport (including some who currently live in Newport) would likely choose to live in nearby communities with less expensive housing. This might include some students studying at the HMSC.

- **Existing faculty, staff, and students at HMSC have difficulty finding affordable, good condition housing.** HMSC staff conducted an informal

survey of existing students, faculty, and staff currently associated with HMSC. About 120 people responded to the survey, with 16 responses from students, and the remainder divided between OSU and staff at agencies associated with HMSC (such as NOAA or USFWS). This survey provides the following information about HMSC staff and associated agency staff's housing preferences:

- Survey respondents had difficulty finding housing in Newport because of relatively high housing costs, housing that is in poor condition, and scarcity of rental housing.
- More than 60% of survey respondents indicated that they have pets and many respondents had difficulty finding housing that would allow them to have their pet.
- The majority of students who responded were graduate students, most of whom lived in Newport with one or more roommate, in privately owned rental housing.

As HMSC expands, it is reasonable to expect these types of housing issues to persist, especially in the absence of development of student housing and other new affordable housing.

In summary, growth of faculty, staff, and students will result in an increase in Newport's population and, if they all live in Newport, demand for new dwelling units by up to 4%. While 4% growth over a 10-year period is not an exceptional amount of growth, it is a substantial amount of the growth that Newport is expecting between 2011 and 2031.

Growth in students has potential to result in demand for between 85 and 160 new multifamily units, which would result in an increase of up to 15% for Newport's multifamily housing stock. While students appear to have the capacity to pay more in housing than current market-rate rents in Newport, many of the students would live in Newport for three to six months. Their short tenure in Newport would make finding housing difficult. A primary reason for this difficulty is that most landlords prefer to engage in longer-term rentals because of the costs and extra work of renting a dwelling four times a year (rather than once a year or less frequently), such multiple credit checks and deposits, having the dwelling cleaned and repaired multiple times per year, and advertising and showing the dwelling multiple times per year.

In addition to the growth associated with the HMSC, the Oregon Coast Community College (OCCC) is planning to double its student population from 500 to 1,000 students over the next 10 years or more.¹³ OCCC's programs

¹³ The estimate of 500 students at OCCC is an estimate for full-time equivalent students, rather than a headcount. OCCC expects to grow to about 1,000 full-time equivalent students.

generally attract students from within Lincoln County. Some of OCCC's programs, most notably the Nursing Program and the Aquarium Science Program, attract students from outside of Lincoln County. In the future, OCCC estimates that between 10% to 20% of students will be from out of Lincoln County.

OCCC plans to grow these and other programs that attract students from out of the area. They estimate expansion of OCCC's programs may result in need for housing for about 100 to 200 students from outside of the region in about 10 years. These students may create demand for approximately 25 to 100 dwelling units, assuming an average of two to four students per dwelling. Growth of out-of-area students at OCCC is likely to be gradual, as OCCC expands its programs.

In the context of Newport's already tight rental market, housing demand from the year-round students HMSC students and students at OCCC would further tighten Newport's rental market, eventually resulting in higher rents and decreasing housing affordability for renters. This would lead to more people living in nearby communities as a result of economic necessity.

Private sector interest in student housing

The solution to ensuring that part-year students have options for housing in Newport and avoiding further tightening Newport's rental market is ensuring that housing is developed for students. In the aggregate, demand for about 85 to 160 new dwelling units with the rent profiles of students willing and able to pay \$650 to \$800 per student per month would be attractive to private developers. The average length of student residency would be less attractive to developers.

One of the potential key challenges is coordinating the timing of when OSU starts growing student presence at the Marine Science Center with production of student housing. Left entirely to the market, there would be a lag time between the increase in demand (new students in Newport) and production of new housing. OSU is planning to phase its growth over a ten-year period, meaning that the 500 students will not be added at one time. The market response to building new housing could be years behind student growth.

OSU should align its plans for student growth with the development of new units. The need for this type of coordination, combined with the need to help part-year students coordinate housing in Corvallis and Newport (including issues of coordination with student financial aid), strongly suggests that OSU should have a significant role in development of student housing, especially during the early parts of the HMSC expansion.

OSU could work with a private developer on development (and possibly management) of student housing, or OSU could develop and manage the student housing without a private developer. Depending on plans for growth of

enrollment at the HMSC, new student housing could be developed in phases. OSU may have a larger role in student housing development in earlier phases of student growth, ensuring that housing is available for students. One or more private developers may be interested in developing student housing in later phases of enrollment growth, when there is more certainty about student growth and development of student housing.

These issues, as well as the role of the City of Newport in ensuring student housing production, will be discussed in subsequent meetings. At a minimum, the City is acting as a facilitator of the process, to ensure participation by a wide range of interested stakeholders.

2.2 Update to Buildable Lands Analysis

The 2011 *Housing Needs Analysis* included a comprehensive inventory of residential lands within the Newport Urban Growth Boundary (UGB). The 2011 buildable lands analysis concluded the City has about 1,764 buildable residential acres. Note that 575 of these acres are in a destination resort designation and would not be available for the type of housing needed to support OSU faculty, staff and students. Table 1 shows a summary of buildable land by plan designation in the Newport UGB in 2011.

Table 1. Residential land with development capacity by constraint status, Newport UGB, 2011

Plan Designation	Tax Lots	Total Acres in Tax Lots	Developed Acres	Constrained Acres	Buildable Acres
Low Density Residential					
Partially Vacant	129	222	30	20	172
Vacant	544	878	0	52	826
Subtotal	673	1,100	30	72	998
High Density Residential					
Destination Resort	31	668	0	93	575
Partially Vacant	24	43	6	8	29
Vacant	339	225	0	64	162
Subtotal	394	936	6	165	765
Total	1,067	2,036	36	237	1,764

Source: City of Newport GIS data; analysis by ECONorthwest

Note: Constraints do not make any deductions for slope

ECO used buildable permit data to update the residential buildable lands inventory. The city did not experience much new residential development between 2011 and 2014. A total of 58 permits were issued for new residential construction. Of these, 55 were issued in residential plan designations. Table 2 summarizes the building permit data.

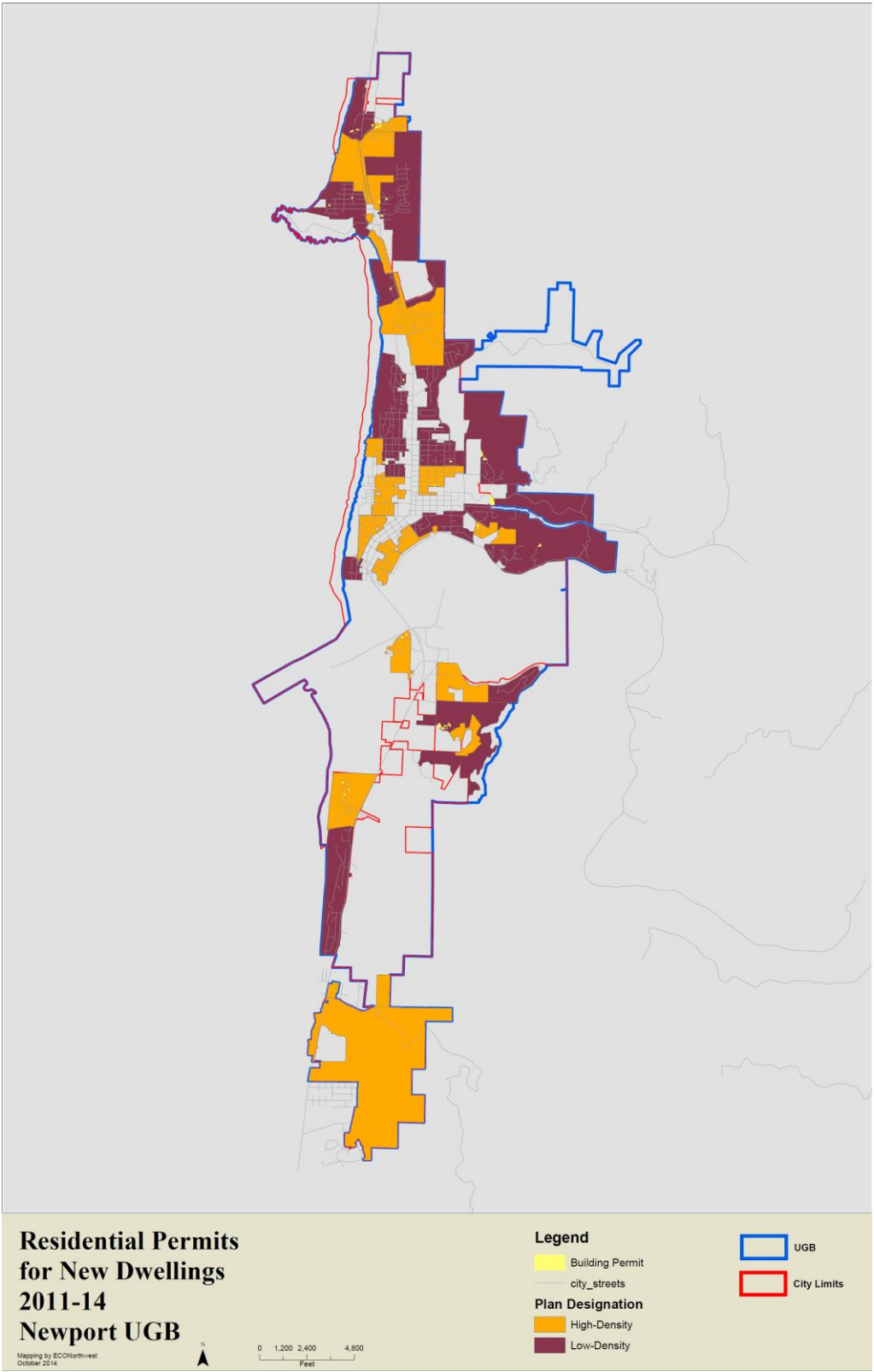
Table 2. Permits issued for new residential construction, 2011-14

Plan Designation	New	
	Dwellings	Acres
HDR	20	4.2
LDR	38	5.5
Total	58	9.7

Source: City of Newport GIS data; analysis by ECONorthwest

Map 1 shows the location of permits issued city-wide. Map 2 shows permits issued south of Yaquina Bay and north of the Newport Airport.

Map 1. Location of building permits issued for new residential construction 2011-14, Newport UGB



Map 2. Permits Issued for New Development South of Yaquina Bay and North of the Airport, 2011-14



Table 3 shows the updated buildable lands inventory for Newport. The results show that Newport has about 1,750 buildable residential acres. Of these, 992 are in the low-density plan designation and 757 are in the high-density plan designation. Less than 10 acres of residential land were developed between 2011 and 2014.

Table 1. Residential land with development capacity by constraint status, Newport UGB, 2014

Plan Designation	Tax Lots	Total Acres in Tax Lots	Developed Acres	Constrained Acres	Buildable Acres
Low-Density	635	1,094	30	72	992
High Density					
Destination Resort	31	668	-	93	575
Other High Density	343	264	10	72	182
Subtotal	374	932	10	165	757
TOTAL	1,009	2,026	40	237	1,749

Source: City of Newport GIS data; analysis by ECONorthwest

Note: Constraints do not make any deductions for slope

3 Potential Sites for New Student Housing

Chapter 2 estimated demand for about 85 to 160 new multifamily dwelling units for student housing and showed that Newport has 1,749 acres of vacant residential land. Assuming that student housing is developed at densities similar to multifamily densities presented in the 2011 HNA, all of the new student housing will require around 15 gross acres of land.¹⁴ Based on this assessment, Newport has enough vacant residential land to accommodate new student housing.

One of the key outcomes of this project is identifying one or more sites where student housing would be appropriate in Newport. The characteristics of sites that would be appropriate for student housing are:

- **Size of site.** The size of the site necessary to accommodate student housing depends on: whether all 85 to 160 student housing units are located in one area and the design of the student housing buildings. We assume that the site for student housing will: (1) accommodate the part-year students, (2) will accommodate some of the year-round graduate and undergraduate students, and (3) that the buildings will be multistory (probably two to four stories tall) or dense townhouse-style buildings. Based on these assumptions, the site should be at least five gross acres and probably 10 to 15 gross acres.
- **Proximity to the HMSC.** The site should be within one or two miles of the HMSC, about 10- to 15-minute bicycle ride, or about 15- to 30-minute walk.
- **Location within Newport.** The site should be south of the Yaquina Bay Bridge because crossing the bridge on bicycle or as a pedestrian is challenging.
- **Accessible by bicycle and pedestrians.** Students should be able to walk or bicycle to the Hatfield Marine Science Center. One reason for this requirement is that not all students have cars. In addition, the Hatfield Marine Science Center does not currently have enough parking for an additional 500 cars and OSU staff have said that they do not want to build that much more parking.
- **Transportation access.** The site should be accessible from Highway 101, either by being located directly adjacent to Highway 101 or via an access road with sufficient capacity to accommodate the transportation needs of up to 500 students.

It would be preferable if the site were also connected to South Beach and the Hatfield Marine Science Center by local roads, allowing students to avoid bicycling or walking along Highway 101.

¹⁴ The 2011 HNA assumed that multifamily housing would develop at 16 dwelling units per gross acre.

In the future, there may be a shuttle or some form of transit that allows students to get from the site to the Hatfield Marine Science Center. The transportation access to the site should be able to accommodate a shuttle bus.

- **Urban services.** The site should be in an area with existing access to city water and wastewater services.
- **Outside of the tsunami inundation zone.** The site should be in an area outside of the tsunami inundation zone. State law (ORS 455.446 to 455.447) prohibits building new public facilities, including educational facilities, in the tsunami inundation zone.
- **Willing landowner.** The land owner of the site should be open to or preferably actively interested in the idea of development of student housing.
- **Access to amenities.** Students will need access to amenities, such as a grocery store, coffee shop, restaurants, banking services, recreational opportunities, and other services. Many of these amenities do not exist in the South Beach area or do not exist in the levels that will be necessary to meet student demand.

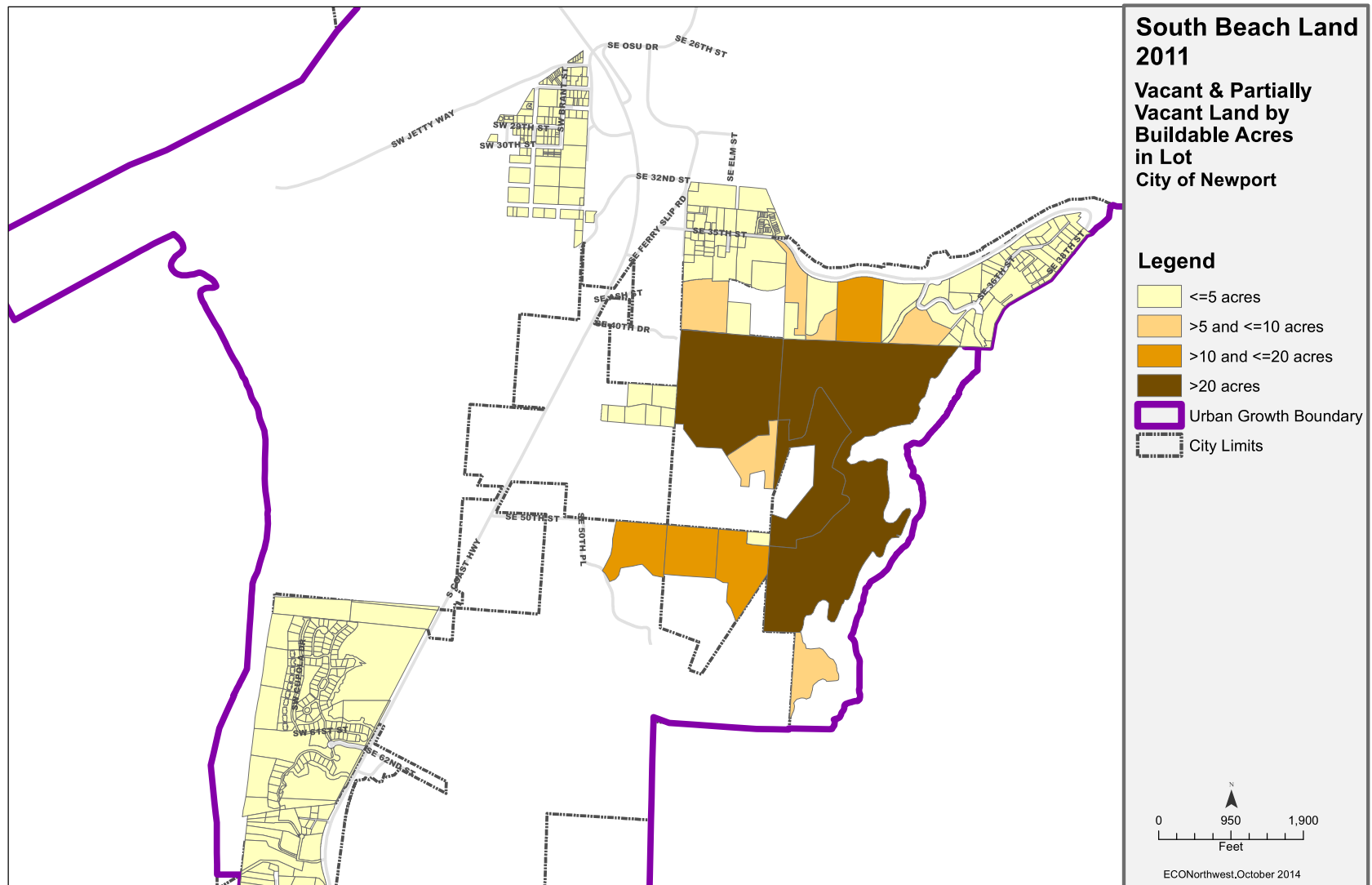
In general, these amenities develop as demand for them grows. Unless the student housing development includes some of these amenities or there is other active coordination for concurrent development of these amenities with student housing development, these types of retail development occur after residential development. Some of these amenities, especially a grocery store, will require development beyond student housing and will develop with other growth in South Beach.¹⁵

The site should be located in a place where there is opportunity for development of some of these amenities and where other amenities could be easily accessed from the site, such as in South Beach.

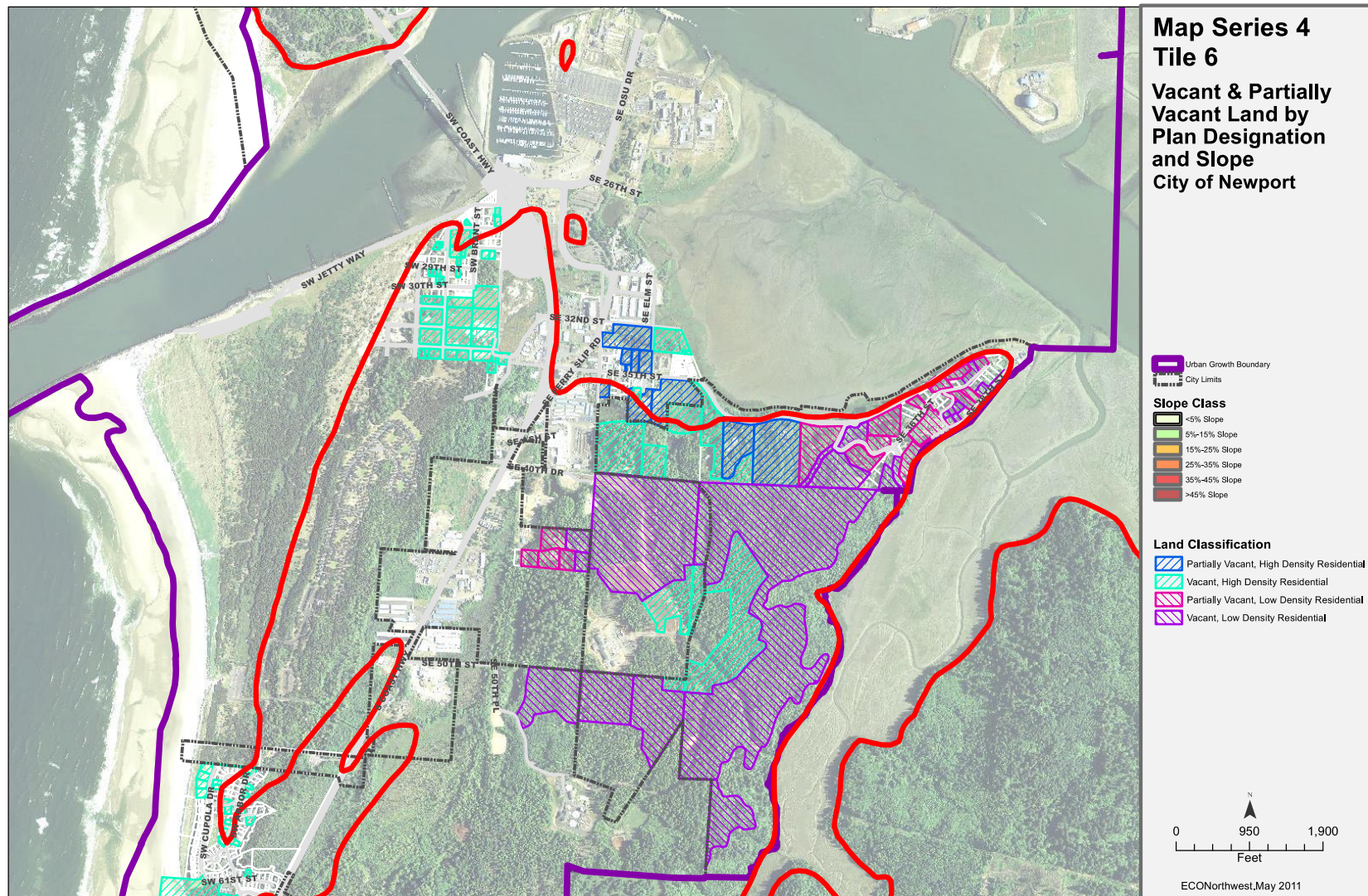
Map 3 and Map 4 show the buildable lands map of the South Beach area.

¹⁵ Typically 4,000 to 5,000 households are required to support a grocery store

Map 3. Buildable Residential Land, South Beach



Map 4. Buildable Residential Land, with the Tsunami Inundation Zone (shown as a red line), South Beach



Note: The redline shows the tsunami inundation zone

Discussions with the Student Housing Advisory Committee identified the area that is most suited for student housing, based on the criteria described above: in or near the Wilder development. Map 5 shows the Wilder development and the areas around it. The Oregon Coast Community College is adjacent to the Wilder development.

The areas on Map 5 that were identified as best-suited are:

- **Phase 4 of the Wilder development.** The landowner identified the area at the entrance to the community on the south side of Harborton Street as being suitable for several small student housing buildings, possibly student studios coupled with large, shared common area spaces. The parcel comprises about six acres, of which perhaps three acres are buildable. Phase 4 of the Wilder development is the best area for student housing because it has existing services and is on the northern end of the Wilder development (which is closer to the HMSC).
- **BGB Parcels.** This is an area south of Oregon Coast Community College, owned by the Brewer and Gardner family. The area is about 35 acres, in three parcels, with the area closest to OCCC in a 15-acre parcel. This area would be especially appropriate if OSU or a developer wanted to build a larger-scale residence hall.

Developing this area will require transportation and other infrastructure investments, which will take time to implement and may be more costly than development in Phase 4 of the Wilder development. If part (or all) of the BGB Parcels were annexed, current zoning would be either industrial or low density residential. Annexation and re-zoning this area to allow student housing will be subject to the City's processes, which will require an investment of time and money.

It will have access to South East 50th and Harborton Street. Wilder is currently negotiating development of a facility near this parcel, which will require extension of Harborton Street. This extension will reduce the transportation investments necessary to develop the BGB Parcels.

- **GVR Parcel.** This area is adjacent to Phase 4 of the Wilder development. It is currently zoned for residential and industrial uses. This area would be also appropriate if OSU or a developer wanted to build a larger-scale residence hall. As with the BGB parcel, would require infrastructure investments, which will take time to implement and may be more costly than development in Phase 4 of the Wilder development.

Map 5. Suitable Student Housing Sites, Newport



4 Tools for Housing Development

This section describes tools that are designed to lower development costs or finance the infrastructure development necessary to support development. This section's organization is based on the potential role for the City. It begins with tools that are primarily public-oriented, where the City could have a direct role in implementing the tools. The final section presents tools that are primarily used by developers, both private and non-profit.

The tools include those that can encourage student housing development, as well as those that support low-income subsidized or workforce-housing. The City may consider implementing tools to encourage development of affordable multifamily housing, aside from student housing, throughout the City.

The tools that the City may choose to use to ensure the production of student housing or encourage the production of low-income subsidized or workforce housing vary based on the location of the development (and whether there are infrastructure and services to the site), the type of housing being developed (and the financial feasibility of that housing), and the partners participating in the housing development. Below are some broad approaches that the City could use to support student housing or encourage the production of low-income subsidized or workforce housing. The City currently uses many of these tools to support development or infrastructure development.

- **Make the development process faster and smoother.** The City could make sure that obtaining entitlements for the project proceeds as quickly as possible and assign a staff member to help solve any issues and expedite the process. The City could work closely with developers, landowners, and other stakeholders to identify issues (or potential issues), and participate in identifying resolutions to the issues quickly. This type of assistance would be appropriate for student housing or low-income subsidized/workforce housing.
- **Ensure infrastructure development and availability.** The City could: establish an urban renewal district (or use an existing URA) to pay for infrastructure development, help establish a Local Improvement District to pay for capital improvements, or work with the State to obtain transportation grants. If the project is sufficiently important to the City as a whole, the City could issue a General Obligation Bond to pay for large-scale infrastructure improvements or provide other development support.
- **Provide assistance to lower development costs.** The City can use the tools identified above to reduce or eliminate infrastructure costs to the developer. The City may choose to waive or lower development fees (such

as the application fee) or reduce or waive SDCs. The City could use CDBG funds or CDBG loans (Section 108) to contribute funding to support housing development, such as low-income subsidized or workforce housing.

The mixture of tools that the City may choose to support student housing will depend, in large part, on where the housing is developed (if additional infrastructure development is needed), who the development partners are, and what tools are available to development partners. For instance, if student housing is built in an area with all the necessary infrastructure, and the developer is a nonprofit organization, the City might: (1) provide assistance to make the development process smoother and faster, (2) waive development application and other fees, (3) bring stakeholders to the table (such as the landowner, OSU, the Lincoln Community Land Trust, and the nonprofit developer) to work together on financial and other issues necessary to make the development feasible, and (4) work with stakeholders to use available funding tools such as Section 108 loans or EB5 (both of which require an economic development component, such as retail or jobs related to the operations of the student housing). If the developer is not a nonprofit and will operate the housing, the City could use a tax abatement program to lower operational costs of the housing.

If the City is trying to support development of low-income subsidized or workforce housing, the City might: (1) provide assistance to make the development process smoother and faster, (2) waive development application and other fees, (3) waive SDCs or use Urban Renewal funds (if the development is in a URA) to pay for infrastructure development, (4) donate or lease (at low cost) city-owned land for the development, (5) bring stakeholders to the table including the landowner, the Lincoln Community Land Trust, and the nonprofit developer, (6) support the developer's use of Low Income Housing Tax Credits (for low-income housing) or HUD 221d4 loans (for workforce housing), and (7) work with stakeholders to use available funding tools such as Section 108 loans or EB5 (for housing with a service-element, such as affordable senior housing). If the developer is not a nonprofit and will operate the housing, the City could use a tax abatement program to lower operational costs of the housing.

The remainder of the section describes these and other tools that are used to facilitate residential development, including market-rate or workforce housing, low-income housing, senior housing, and student housing.

4.1 Public-oriented tools

Local jurisdictions can use the following tools to lower development costs.

SDC Financing or Credits

How It Works	<p>Financing enables developers to stretch their SDC payment over time, thereby reducing upfront costs. Alternately, credits allow developers to make necessary improvements to the site or fulfill other community goals in lieu of paying SDCs. Note that the City can control its own SDCs, but often small cities manage them on behalf of other jurisdictions including the County and special districts. SDC credits for construction of qualified public improvements must be used within 10 years of the date the credit is given.</p> <p>While some programs are mainly designed to allow for efficient development of infrastructure to serve the site (such as Hillsboro and Gresham's SDC credit programs), other programs have specific community goals. Example programs:</p> <p>Portland SDC Exemption Program. The program aims to promote the development of affordable rental housing and to encourage the construction of new single-unit homes affordable to families buying their first home. Developers are exempt from paying for SDCs in four categories when affordable residential housing units meet program requirements. The categories are: transportation, water, parks and environmental services. More info: http://www.portlandoregon.gov/phb/61105</p> <p>Canby Job Creation SDC Credits. In its urban renewal area, Canby offers SDC credits for job creation of \$500 to \$2,000 per qualifying job. After paying all SDC credits up front, the City will refund SDC charges following fulfillment of job creation goals. More info: http://www.clackamas.us/business/documents/canbysdc.pdf</p>
Fund Sources	SDC fund / general fund. In some cases, there may be no financial impact.
Benefits	<ul style="list-style-type: none">• Reduced up-front costs for developers can enable a quicker development timeframe and increase the availability of property to be taxed.• Developers can often sometimes find ways to build infrastructure more efficiently than the public sector because they can use the construction team who is already developing other site elements.
Drawbacks	<ul style="list-style-type: none">• Reduces the availability of SDC funds over the short term.
Type of Housing	Student housing or low-income subsidized / workforce housing.

Sole Source Systems Development Charges

How It Works	Retains SDCs paid by developers within a limited geographic area that directly benefits from new development, rather than being available for use city-wide.
Fund Sources	SDC funds
Benefits	<ul style="list-style-type: none">• Enables SDC eligible improvements within the area that generates those funds to keep them for these improvements.• Improvements within smaller areas, which can enhance the catalytic and redevelopment value of the area.• Can be blended with other resources such as LIDs and TIF.
Drawbacks	<ul style="list-style-type: none">• Reduces resources for SDC-funded projects in a broader geography.
Type of Housing	Student housing or low-income subsidized/workforce housing.

Fees or Other Dedicated Revenue

How It Works	Directs user fees into an enterprise fund that provides dedicated revenue to fund specific projects. Examples of those types of funds can include parking revenue funds, stormwater/sewer funds, street funds, etc. The City could also use this program to raise private sector funds for a district parking garage wherein the City could facilitate a program allowing developers to pay fees-in-lieu or “parking credits” that developers would purchase from the City for access “entitlement” into the shared supply. The shared supply could both meet initial parking need when the development comes on-line but maintain the flexibility to adjust to parking need over time as elasticity in the demand patterns develop in the district and influences like alternative modes are accounted for.
Fund Sources	Residents, businesses, and developers.
Benefits	<ul style="list-style-type: none"> • Allows for new revenue streams into the City. • Many developers support fee-in-lieu programs if they are allowed to receive the same parking allocation for less money than it would cost to build and manage the space.
Drawbacks	<ul style="list-style-type: none"> • Political challenges of introducing new fees or increasing existing fees that are directed toward specific funding objectives, unless those objectives are widely supported.
Type of Housing	Student housing or low-income subsidized / workforce housing.

Public Land Disposition

How It Works	The public sector sometimes controls land that has been acquired with resources that enable it to dispose of that land for private and/or nonprofit redevelopment. Land acquired with funding sources such as tax increment, EB5, or through federal resources such as CDBG or HUD Section 108 can be sold or leased at below-market rates for various projects to help achieve redevelopment objectives.
Fund Sources	Tax Increment, CDBG/HUD 108, EB-5.
Benefits	<ul style="list-style-type: none"> • Increases development feasibility by reducing development costs. • Gives the public sector leverage to achieve its goals via a development agreement process with the developer.
Drawbacks	<ul style="list-style-type: none"> • Public agencies sometimes buy land at the appraised value because they want to achieve multiple goals, which can impact costs of future public and private acquisitions. • Requires careful underwriting and program administration to reduce public sector risk and ensure program compliance.
Type of Housing	Student housing or low-income subsidized / workforce housing, depending on the funding source.

The following tools are generally used for development of infrastructure to support housing development. Some of these tools, however, can be used directly to lower costs of housing development.

Urban Renewal / Tax Increment Finance (TIF)

How It Works	<p>Newport has an Urban Renewal District in South Beach, but the Wilder property is outside of the Urban Renewal District. Tax increment finance revenues are generated by the increase in total assessed value in an urban renewal district from the time the district is first established. As property values increase in the district, the increase in total property taxes (i.e., City, County, school portions) is used to pay off the bonds. When the bonds are paid off, the entire valuation is returned to the general property tax rolls. Urban renewal funds can be invested in the form of low interest loans and/or grants for a variety of capital investments:</p> <ul style="list-style-type: none"> • Redevelopment projects, such as mixed-use or infill housing developments. • Economic development strategies, such as capital improvement loans for small or start-up businesses which can be linked to family-wage jobs. • Streetscape improvements, including new lighting, trees, and sidewalks. • Land assembly for public as well as private re-use. • Transportation enhancements, including intersection improvements. • Historic preservation projects. • Parks and open spaces.
Fund Sources	Local taxing jurisdictions' permanent rate property tax revenues.
Benefits	<ul style="list-style-type: none"> • Over the long term (most districts are established for a period of 20 or more years), the district could produce significant revenues for capital projects. • TIF can be used to help pay for infrastructure improvements (including parking garages), and provide loans/grants for adaptive re-use and new development. • Among the most flexible incentives. For example a single project-based TIF district is possible.
Drawbacks	<ul style="list-style-type: none"> • Defers property tax accumulation by the City and County until the urban renewal district expires or pays off bonds. • Due to the sometimes slow or indirect nature of property tax growth in relation to targeted projects, urban renewal can often take five or more years to produce meaningful levels of revenue resulting in loss of project alignment. • Complex process requires extensive public involvement and community support, especially from other taxing jurisdictions. The City would need to explore options with County officials and elected leadership, tracking legislative changes in urban renewal law, and meeting with adjacent jurisdictions and overlapping taxing entities. • Use of urban renewal can be politically contentious because of its impact on funds available to overlapping taxing districts, and because of the perception that the school districts are adversely impacted. • Investing over \$750,000 in TIF directly into a new or rehab project triggers prevailing wage requirements, which can increase overall project costs by 10–20%.
Type of Housing	<p>Urban renewal funds can be used to develop infrastructure to support student housing or low-income subsidized / workforce housing.</p> <p>Urban renewal funds can be used for housing development within urban renewal districts.</p>

Local Improvement District (LID)

How It Works	A special assessment district where property owners are assessed a fee to pay for capital improvements, such as streetscape enhancements, underground utilities, or shared open space. LIDs must be supported by a majority of affected property owners.
Fund Sources	LID bonds are backed by revenue committed by property owners (which can be public as well as private).
Benefits	<ul style="list-style-type: none"> • Organizes property owners around a common goal. • Allows property owners to make payments over time to bring about improvements quickly that benefit them individually. • Improvements within smaller areas can enhance catalytic and redevelopment value of the area. • LIDs can be bundled with other resources, such as TIF.
Drawbacks	<ul style="list-style-type: none"> • Setting up fair LID payments for various property owners, who are located different distances from the improvement, is challenging. • Some lenders insist that LIDs be paid off when properties are transferred. • Small geographic areas may not have sufficient LID revenues to support bonds for the desired improvement.
Type of Housing	Can be used to develop infrastructure needed for student housing or low-income subsidized / workforce housing.

Transportation Loans and Grants

How It Works	<p>ODOT administers several grant programs that help to pay for pedestrian and bicycle improvements, including crosswalks, bike lane striping, and pedestrian crossing islands. Local governments must often match grant funding. These programs include:</p> <ul style="list-style-type: none"> • ConnectOregon. ConnectOregon focuses on improving connections and supporting local economies throughout the state. Dedicated to non-highway projects, ConnectOregon was first approved by the Oregon legislature in 2005 and has funded more than 130 marine/ports, aviation, public transit, and rail projects around the state. For ConnectOregon V, bicycle/pedestrian projects were also eligible to compete for funds. State program webpage: http://www.oregon.gov/ODOT/TD/TP/pages/connector.aspx • Statewide Transportation Enhancements Program. The Statewide Transportation Improvement Program, known as the STIP, is Oregon's four-year transportation capital improvement program. It is the document that identifies the funding for, and scheduling of, transportation projects and programs. STIP will be divided into two broad categories: Fix-It and Enhance. State program webpage: http://www.oregon.gov/ODOT/TD/STIP/Pages/about.aspx • Oregon Transportation Infrastructure Bank. The Bank is a low-interest revolving loan fund that can help to pay for transportation capital projects. These low-interest loans can be repaid with TIF, general fund, or local improvement district revenues. They provide up front monies (planning, engineering) as well as implementation funds which means cities do not need to wait for TIF build up. Need to make sure there will be a city repayment source. State program webpage: http://www.oregon.gov/ODOT/CS/FS/pages/otib.aspx
Fund Sources	State and federal funds.
Benefits	<ul style="list-style-type: none"> • Direct public investment into private projects. • Does not impact City funds.
Drawbacks	<ul style="list-style-type: none"> • Highly competitive and must meet state-identified criteria (varies by program). • For loans, need to establish a City repayment source.

Type of Housing	Can be used to develop transportation infrastructure needed for student housing or low-income subsidized / workforce housing.
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Water and Wastewater Loans and Grants

How It Works	<p>Business Oregon's Infrastructure and Finance Authority administers several loan and grant programs that help pay for water and wastewater improvements, including water, wastewater, and stormwater systems. These programs include:</p> <ul style="list-style-type: none"> • Water/Wastewater Financing Program. This program funds design and construction of public infrastructure needed to ensure compliance with the Safe Drinking Water Act or the Clean Water Act. The program gives loans and grants, depending on the type and characteristics of infrastructure being developed. It funds projects related to construction improvement or expansion of drinking water system, wastewater system or stormwater system. To be eligible for funding a system must have received, or is likely to soon receive, a Notice of Non-Compliance by the appropriate regulatory agency or is for a facility plan or study required by a regulatory agency. State program webpage: http://www.oregon.gov/ODOT/TD/TP/pages/connector.aspx • Safe Drinking Water Revolving Loan Fund. The Safe Drinking Water Revolving Loan Fund (SDWRLF) is designed for collection, treatment, distribution and related infrastructure projects. This loan program funds drinking water system improvements needed to maintain compliance with the Federal Safe Drinking Water Act. The Safe Drinking Water Fund is funded by yearly grants from the U.S. Environmental Protection Agency (EPA) and matched with funds from the state Water/Wastewater Financing Program. The program allows use of funds for activities such as engineering or designing upgrades to or construction of system improvements and equipment for water intake, filtration, treatment, storage, or transmission. Funds can also be used for acquisition of property or easements, planning and review of projects, legal or technical support of projects, or enhancements of physical security. State program webpage: http://www.orinfrastructure.org/Infrastructure-Programs/SDW/ • Drinking Water Source Protection Fund. The Drinking Water Source Protection Fund (DWSPF) is designed for the protection of drinking water sources. This loan program funds drinking water system improvements needed to maintain compliance with the Federal Safe Drinking Water Act. The program allows use of funds for activities such as engineering or designing upgrades to or construction of system improvements and equipment for water intake, filtration, treatment, storage, or transmission. Funds can also be used for acquisition of property or easements, planning and review of projects, legal or technical support of projects, or enhancements of physical security. State program webpage: http://www.orinfrastructure.org/Infrastructure-Programs/SDW/
Fund Sources	State and federal funds.
Benefits	<ul style="list-style-type: none"> • Direct public investment into private projects. • Does not impact City funds.
Drawbacks	<ul style="list-style-type: none"> • Highly competitive and must meet state-identified criteria (varies by program). • For loans, need to establish a City repayment source.
Type of Housing	Can be used to develop water, wastewater, and stormwater infrastructure needed for student housing or low-income subsidized / workforce housing.

General Fund and General Obligation Bonds are generally used to develop infrastructure or fund large public projects.

General Fund and General Obligation (GO) Bonds

How It Works	City can use general fund monies on hand or can issue bonds backed by the full faith and credit of the city to pay for desired public improvements.
Fund Sources	Property taxes are increased to pay back the GO bonds.
Benefits	<ul style="list-style-type: none">• Community can implement public projects that can in turn catalyze other development (e.g. parking garage, transportation improvements, etc.)
Drawbacks	<ul style="list-style-type: none">• GO Bonds require a public vote, which is often time-consuming and costly.• Raises property owner taxes (GO Bonds).• State Lending of Credit provision prohibits City from contributing directly to private sector projects.
Type of Housing	Student housing or low-income subsidized/workforce housing.

University bonds are used to build large-scale university projects, including new buildings and student residence halls.

University Bonds

How It Works	Universities can issue bonds for a range of activities, including development of student housing. University bonds can be paid over a term of up to 20 years. OSU would need to identify the appropriate type of university bond, if the University chooses to build student housing.
Fund Sources	Rents and other fees
Benefits	<ul style="list-style-type: none">• Can provide preferential financing particularly in times when market rate borrowing requires high levels of equity.• OSU can build student housing on its own or as part of a public-private partnership.
Drawbacks	<ul style="list-style-type: none">• Requires OSU to be willing and financially able to issue a bond for the cost of student housing.
Type of Housing	Student housing.

Community Development Block Grant and Section 108 funds are generally used for projects that meet identified community needs, such as low-income subsidized and workforce housing.

Community Development Block Grants (Federal Program, State Administered)

How It Works	Community Development Block Grants (CDBG) provide communities with resources to address a range of community development needs, including infrastructure improvements, housing and commercial rehab loans and grants, as well as other benefits targeted to low- and moderate-income persons. Lincoln County competes for CDBG funding through the Oregon Business Development Department alongside other non-metropolitan counties. In 2014, the State will award approximately \$12 million to non-metropolitan counties, with a maximum single grant award of \$3 million. ¹⁶ Lincoln County has applied for and received funding for a head start facility (2002), domestic violence shelter in Lincoln City (2005), senior center in Newport (2008), microenterprise assistance (2007-2013), and housing rehabilitation (2009). ¹⁷ The county applied for microenterprise assistance in 2014. More info: http://www.orinfrastructure.org/Infrastructure-Programs/CDBG/
Fund Sources	Federal HUD funds, administered by Oregon Business Development Department.
Benefits	<ul style="list-style-type: none"> • Track record of using CDBG funds for community development projects in Lincoln County. • Funds are fairly flexible in application. • Program has existed since 1974, and is seen as being fairly reliable.
Drawbacks	<ul style="list-style-type: none"> • Competitive and time-consuming process to secure loans/grants for individual projects. • Administration and projects must meet federal guidelines such as Davis Bacon construction requirements. • Amount of federal funding for CDBG has been diminishing over the past few years. • CDBG program is run through the state..
Type of Housing	Low-income subsidized / workforce housing. Unlikely to be used for student housing.

¹⁶ Lincoln County Board of Commissioners minutes. July 23, 2014.
<http://www.co.lincoln.or.us/board/minutes/2014/July/Order%207-14-194%20BOC%20Meeting%20Minutes%20of%20July%2023,%202014.pdf>

¹⁷ Oregon Community Development Block Grant 2013 Performance Evaluation Report (PER) Covering Years 2005 through 2013. <http://www.oregon.gov/ohcs/docs/2013-Proposed-CDBG-PER.pdf>

Section 108 (Federal Program, Locally Administered)

How It Works	<p>HUD Section 108 increases the capacity of block grants to assist with economic development projects by enabling a community to borrow up to five times its annual CDBG allocation. The community pays back the revenue through project proceeds or CDBG funds. Examples of projects that were developed with HUD Section 108 funds include the Salem Conference Center and Hotel, Portland initial Saturday Market headquarters, and the adaptive reuse of a former J.C. Penney's department store in Eugene.</p> <p>If the City is exploring the use of Section 108 funds for affordable housing, it should contact the County and the state's regional coordinator to learn more about the application process, how much the City could apply for, and tips for success. Louise Birk is the Regional Coordinator for Lincoln County, 503-986-0130</p>
Fund Sources	Federal HUD funds.
Benefits	<ul style="list-style-type: none"> • Funds are fairly flexible in application. • Program has been run since 1974, and is seen as being fairly reliable. • Enables a larger amount of very low interest-rate-subordinate funding for eligible projects.
Drawbacks	<ul style="list-style-type: none"> • Competitive process to secure loans/grants for individual projects. • Administration and projects must meet federal guidelines such as Davis Bacon construction requirements. • Amount of federal funding for CDBG has been diminishing over the past few years. • CDBG program is run through Lincoln County and is not City-controlled. • If the project cannot generate enough revenue to repay the loans, the County/City will need to use the general fund or another repayment source. • May not be suitable for student housing.
Type of Housing	Low-income subsidized / workforce housing.

ECONorthwest focused the list of tax credits and abatements to ones that can be used for market-rate apartments, affordable housing, and mixed-use buildings, where housing is above active ground floor uses.

Vertical Housing Tax Abatement (State of Oregon enabled, locally adopted)

How It Works	<p>Subsidizes "mixed-use" projects to encourage dense development or redevelopment by providing a partial property tax exemption on increased property value for qualified developments. The exemption varies in accordance with the number of residential floors on a mixed-use project with a maximum property tax exemption of 80% over 10 years. An additional property tax exemption on the land may be given if some or all of the residential housing is for low-income persons (80% of area is median income or below). The proposed zone must meet at least one of the following criteria:</p> <ul style="list-style-type: none">• Completely within the core area of an urban center.• Entirely within half-mile radius of existing/planned light rail station.• Entirely within one-quarter mile of fixed-route transit service (including a bus line).• Contains property for which land-use comprehensive plan and implementing ordinances effectively allow "mixed-use" with residential. <p>State program webpage: http://www.oregon.gov/OHCS/Pages/HFS_Vertical_Housing_Program.aspx</p>
Fund Sources	<p>General funds of local taxing jurisdictions that agree to participate—cities, school districts, counties, etc.</p>
Benefits	<ul style="list-style-type: none">• Targeted tool to support mixed-use development in places with locational advantages.• City-controlled on project-by-project basis.
Drawbacks	<ul style="list-style-type: none">• Reduces general fund revenues for all overlapping taxing districts.• Requires a lengthy approval process with taxing districts.
Type of Housing	<p>Student housing or low-income subsidized / workforce housing.</p>

Multiple-Unit Limited Tax Exemption Program (State Enabled, Locally Managed)

How It Works	<p>Through the multifamily tax exemption, a jurisdiction can incent diverse housing options in urban centers lacking in housing choices or workforce housing units. Through a competitive process, multi-unit projects can receive a property tax exemption for up to ten-years on structural improvements to the property.</p> <p>Though the state enables the program, each City has an opportunity to shape the program to achieve its goals by controlling the geography of where the exemption is available, application process and fees, program requirements, criteria (return on investment, sustainability, inclusion of community space, percentage affordable or workforce housing, etc.), and program cap. The City can select projects on a case-by-case basis through a competitive process.</p> <p>Use of the program in the State includes:</p> <p>City of Portland Multiple-Unit Limited Tax Exemption Program. Within eligible areas, this program allows multi-unit projects to receive a ten-year property tax exemption on structural improvements to the property as long as program requirements are met. This program limits the number of exemptions approved annually, requires developers to apply through a competitive process, and encourages projects to provide greater public benefits to the community that would otherwise be possible. The applicant must submit documentation that the anticipated rate of return for the project for the period of the exemption will not exceed 10%. In 2014, the City made \$1,210,000 in foregone tax revenue available. More info: https://www.portlandoregon.gov/phb/61191</p> <p>City of Eugene Multi-unit Property Tax Exemption Program. This program offers a property tax exemption on the new structure or incremental change in the property value of a building for a maximum of 10 years. Projects eligible for the tax exemption include construction, addition or conversion of rental or ownership multi-unit housing within the MUPTE boundary. More info: http://www.eugene-or.gov/index.aspx?NID=829</p>
Fund Sources	Local taxing jurisdictions that agree to participate—cities, school districts, counties, etc.
Benefits	<ul style="list-style-type: none"> • Targeted tool to support mixed-use development in places with locational advantages. • City-controlled on project-by-project basis. • Does not require active ground floor use. • Has been used for student housing in Eugene, Oregon. • Can be paired with other tools that incent density and allow for cost reductions. • Possible flexibility to tailor length of exemptions on a case-by-case basis, depending on the project benefits to the public. • The city can set an annual cap on the total amount of tax exemptions in any given year for all projects.
Drawbacks	<ul style="list-style-type: none"> • City must weigh the temporary (up to 10 years) loss of tax revenue against the potential attraction of new investment to targeted areas. • Reduces general fund revenues for all overlapping taxing districts, which could make it harder to promote the tool to partner jurisdictions that do not perceive the same project benefits. • Can be competitive, depending on the criteria that the City outlines. • If the City also seeks abatement from overlapping taxing districts, requires a lengthy approval process. • Some programs have requirements for local and minority businesses to complete a portion of project construction, which can extend development timelines.

	<ul style="list-style-type: none"> • Requires regular reporting. Property owners must submit to city annual audited financial statements, tax returns and 10-year operating cash flow with current rate of return. • Depending on the project criteria, can be a highly competitive process among development projects.
Type of Housing	Student housing or low-income subsidized / workforce housing.

4.2 Developer Tools

The following tools are predominantly used by the private sector, such as developers.

EB-5 (Federal Program, Administered by “Regional Centers”)

How It Works	Attracts investment dollars for new commercial enterprises that will benefit the US economy primarily by creating new jobs for US citizens. There are two versions of the program: 1) the original program that requires foreign investor to commit \$1 million for eligible projects that create at least 10 full-time direct jobs, and 2) the newer program that allows foreign investors to commit \$500,000 in eligible projects within Targeted Employment Areas that create at least 10 direct and/or indirect jobs. In return for these investments, foreigners seek US citizenship.
Fund Sources	Foreign investors.
Benefits	<ul style="list-style-type: none"> • Relatively low-cost source of equity for appropriate projects. • Projects can be construction (new or rehabilitation), or direct investments into businesses that will create required jobs. • EB5 can be bundled with many other funding sources such as TIF. • Among the most commonly sought-after projects are hotels and senior housing developments since both generate considerable jobs.
Drawbacks	<ul style="list-style-type: none"> • \$500,000 program investor projects must be in an EB-5 eligible “targeted employment area” or TEA. TEAs are areas that have unemployment rates in excess of 150% of the federal rate for a given year. TEAs are established and adjusted by the governors of each state. • Must meet job generation requirements within 2.5 years. • Investors expect to get their equity investment repaid at the end of five years. • It takes added time to secure EB5 funds, due to federally required process
Type of Housing	Student housing or affordable senior housing.

New Market Tax Credits (Federal program, Administered by a Community Development Entity)

How It Works	The New Market Tax Credits (NMTC) program is designed to attract capital investment to low-income communities by allowing investors to receive a tax credit (against their Federal income tax) in return for equity investments in Community Development Entities (CDEs), which invest in low-income communities. The tax credit is 39% of the original investment, claimed over seven years.
Fund Sources	Investors.
Benefits	<ul style="list-style-type: none"> • Relatively low-cost source of equity for appropriate projects. • Projects can be construction (new or rehabilitation). • NMTC can be bundled with many other funding sources such as TIF.
Drawbacks	<ul style="list-style-type: none"> • NMTC are only available for use in areas identified as distressed within a community. The part of Newport that is eligible is an area identified as “severely distressed” along the northern bank of the Yaquina Bay front in Newport, up to Highway 20. • Requires partnership with a CDE to receive the NMTC. • It takes added time to secure NMTC due to federally required process
Type of Housing	Student housing but the area under consideration for student housing is not eligible for NMTC.

221d4 Housing Program (Federal program)

How It Works	Provides market-rate multi-family housing developers with reduced equity requirements (20%), which can make some residential projects more feasible.
Fund Sources	Federal HUD funds.
Benefits	<ul style="list-style-type: none"> • Can provide preferential financing particularly in times when market rate borrowing requires high levels of equity.
Drawbacks	<ul style="list-style-type: none"> • Lengthy process to secure federal approval for project as well as ongoing documentation.
Type of housing	Student housing or low-income subsidized / workforce housing.

501c3 Bonds (Federal Program)

How It Works	<p>Allows nonprofits to finance nonprofit capital projects (such as student housing, education, or senior housing) by working with a government agency to get inducement resolution for the project to issue tax-exempt bonds. The tax-exempt bond is a revenue bond repaid by the rents and other fees that from the project. The nonprofit will need to identify assets to secure the bond, such as liquid assets or other property.</p> <p>Up to 5% of a project to be for profit uses, such as ground floor retail. If more than 5% of the project is for private use, the bond will require “taxable tail,” which is a taxable portion of the bond.</p>
Fund Sources	Rents and other project fees
Benefits	<ul style="list-style-type: none"> • Can pay for up to 100% of development costs • Low cost tax exempt rates • Bonds can be 20 year or longer to reduce annual payments • Once bonds are paid off the project can be sold to the private sector at market value, or transferred to a guaranteeing entity such as a city or university for a reduced amount
Drawbacks	<ul style="list-style-type: none"> • Project needs to have overwhelmingly nonprofit uses for period of the bonds • There are limits on who the project can be sold to during the life of the bond • Upfront costs are considerable, such as attorneys, bond council, and process steps with public agencies. These upfront costs can largely be included in the inducement resolution for the bond. • Less experienced nonprofits may have challenges getting inducements without public agency guarantees
Type of Housing	Student housing or low-income subsidized / workforce housing or low-income senior housing.

The following tools are for use for low-income subsidized housing and, in some cases, workforce housing.

Low-Income Housing Tax Credit (Federal Program, Administered by State of Oregon)

How It Works	<p>Provides a state income tax credit for affordable housing equity investments that help reduce the financing costs for multi-family rental units. Applications must demonstrate that the project will be maintained as affordable housing for a minimum 30-year term. To be eligible, at least 20% of units must be at or below 50% or AMI, OR 40% must be at or below 60% AMI. There are two rates:</p> <ul style="list-style-type: none">• The "9%" credit rate. New construction and substantial rehabilitation projects that are not otherwise subsidized by the federal government earn credits at a rate of approximately 9% of qualified basis, each year for a 10-year period. "9%" credits are more powerful but also more competitive.• The "4%" credit rate. The 4% rate applies to acquisition of eligible, existing buildings and to federally-subsidized new construction or rehabilitation. The 4% rate also applies to all eligible bases in projects that are financed through the issuance of volume-cap multi-family tax-exempt bonds (the associated LIHTCs are sometimes called "as of right" credits because they are automatically attached to the volume-cap bonds). <p>State program webpage: http://www.oregon.gov/OHCS/Pages/HRS_LIHTC_Program.aspx</p>
Fund Sources	<p>Institutional investors or high net worth individuals make investments by purchasing tax credits, which infuses cash equity into a project that does not require repayment. Income tax receipts are impacted because investors' income tax payments are reduced.</p>
Benefits	<ul style="list-style-type: none">• Targeted tool to support multi-family rentals or mixed-use development in places with locational advantages.• The credit contributes to project equity, reducing developer's out-of-pocket investment and can be a significant incentive (particularly at the 9% level) for the provision of affordable housing.• Can be blended with other resources such as TIF, property tax abatements, and housing bonds.
Type of Housing	<p>Low-income subsidized housing.</p>

Loan Guarantee Programs (Administered by State of Oregon)

How It Works	<p>Loan Guarantee and General (Lease) Guarantee Programs provide guarantees to lenders to assist in the financing of new housing construction or for the acquisition and/or rehabilitation of existing housing for low- and very low-income families. Guarantees may be up to 25 percent of the original principal amount of a loan. To participate, the lender submits an application for the loan guarantee for the project that requires the credit enhancement necessary to obtain the loan. Preference is given to projects offering long term affordability and a special needs service program</p> <p>State Program Website: http://www.oregon.gov/ohcs/pages/hfs_loan_guarantee_program.aspx</p>
Fund Sources	State of Oregon.
Benefits	<ul style="list-style-type: none"> • Provides low cost financing for up to 25% of the loan principal. • Applicable to households at or below 80% of the median family income
Drawbacks	<ul style="list-style-type: none"> • Requires State application process. • The State may restrict servicing of loans to lenders who have significant experience in the administration of multifamily housing loans and leasing. • Required to comply with State guidelines for administration requirements.
Type of housing	Low-income subsidized / workforce housing for those earning up to 80% of median family income.

Conduit Loan Program (Administered by State of Oregon)

How It Works	<p>Oregon Housing and Community Services (OHCS) provides bond issuance services for this program and does not provide credit enhancement. The Conduit Program provides funds to finance the construction, rehabilitation and acquisition of multi-unit affordable housing for lower-income households. The Conduit process assumes the tax-exempt bond allocation request is coupled with a request for 4% Low Income Housing Tax Credits (LIHTC) and possibly other OHCS funding sources. The permanent financing term is generally 30 years, but the combined construction and permanent terms may not exceed 45 years.</p> <p>State Program Website: http://www.oregon.gov/ohcs/pages/hfs_conduit_program.aspx</p>
Fund Sources	State of Oregon.
Benefits	<ul style="list-style-type: none"> • Provides flexibility in loan structure. • Is designed to work with LIHTC and other programs.
Drawbacks	<ul style="list-style-type: none"> • Requires State application process. • Requires an experienced affordable housing development team to successfully navigate the complexity of the program. • Required to comply with State guidelines for administration requirements.
Type of housing	Low-income subsidized / workforce housing.

Affordable Housing Property Tax Abatement (Locally managed, enabled by State of Oregon)

How It Works	The State allows for affordable housing property tax abatements when they are sought separately by non-profits that develop and operate affordable rental housing. Only the residential portion of a property located within a City that is used to house very low-income people, or space that is used directly in providing housing for low-income residents, is eligible for a property tax exemption.
Fund Sources	Local taxing jurisdictions' general funds—cities, school districts, counties, etc.
Benefits	<ul style="list-style-type: none"> • Targeted tool to support multi-family rentals or mixed-use development in places with locational advantages. • Can stand alone (without tax credits). For example, a non-profit housing provider can use bonds and still be eligible for an abatement, but it must apply for it separately. • Can be blended with other resources such as TIF, tax credits, and housing bonds.
Drawbacks	<ul style="list-style-type: none"> • Reduces general fund revenues for all overlapping taxing districts if property tax abatement is sought by affordable housing providers and approved by local jurisdictions.
Type of Housing	Low-income subsidized housing.

Affordable Housing Tax Credit (State managed)

How It Works	<p>Provides a state income tax credit for affordable housing equity investments that helps reduce the financing costs for multi family rental units. Applications must demonstrate a 20 year term that the benefit of the tax credit will be entirely passed on to reduce rents for the tenants.</p> <p>Program webpage: http://www.oregon.gov/ohcs/pages/hrs_oahtc_program.aspx</p>
Fund Sources	Institutional investors or high net worth individuals makes investments. State general fund is impacted.
Benefits	<ul style="list-style-type: none"> • Targeted tool to support multi-family rentals or mixed-use development in places with locational advantages. • The credit contributes to project equity, reducing developer's out-of-pocket investment and can be a significant incentive for the provision of affordable housing. • The state allows for affordable housing property tax abatements, which are applied for separately.
Drawbacks	<ul style="list-style-type: none"> • Highly competitive process.
Type of Housing	Low-income subsidized / lower income workforce housing.

5 Next Steps

This chapter presents the next steps for the City of Newport, Lincoln County, and Oregon State University for supporting student housing development to meet the needs of the HMSC expansion. City and County staff and decision makers are aware of the potential negative impacts of student housing growth on Newport's housing market, in the absence of student housing development. They want to support the HMSC expansion where possible, especially in ensuring that students have housing in Newport and that student growth does not exacerbate Newport's housing market, which has an existing deficit of affordable low-income and workforce housing.

The City and County have clearly express support of HMSC expansion. In particular, the City and County have clearly expressed support for proactive planning and development of student housing associated with the HMSC expansion. The City and County have expressed their commitment to working with OSU to identify and work together to resolve issues that arise with expansion of the HMSC, especially issues related to ensuring development of student housing.

The following recommendations are based on discussions with the Advisory Committee, as well as discussions with Newport staff.

- **The City and County should express preference for direct and proactive involvement from OSU in student housing development.** The City of Newport City Council and Lincoln County Board of County Commissioners should express their preference for OSU taking an active role in development of student housing in Newport, rather than depending on the housing market to ensure that student housing is built. The City and County can express their preference for proactive involvement by OSU by resolution.

OSU could play an active role in student housing development in the following ways: (1) OSU could develop and operate student housing, (2) OSU could work with a private developer to develop student housing and OSU would master lease and operate the housing facility, or (3) OSU could work with a private developer who would build and manage the housing facility as an OSU Affiliate.

The City of Newport and Lincoln County prefer that OSU have greater involvement in operations of the student housing development. OSU could either develop and operate the student housing facility or OSU could work

with a private develop developer to develop student housing and OSU manage and operate the housing facility. We recommend that the City and County formally express a preference by resolution for either of these roles for OSU's in student housing.

- **Given the limited number of available sites that meet the criteria for student housing development, OSU should be proactive in securing a development site.** The criteria for a site for student housing include: a location south of the Yaquina Bay Bridge, outside of the tsunami inundation zone, access to urban infrastructure (such as transportation, sewer, and water), and other criteria. This project identified several areas that meet the criteria for student housing. However, there are relatively few sites in Newport that both meet these criteria and are development-ready (or could be made development-ready relatively quickly).

One of these areas, Phase 4 of the Wilder development, is serviced and could be ready for development relatively quickly. The two other sites would require infrastructure investments to make them development ready, which would take more time and may be more expensive. For example, the BGB parcel would require annexation, re-zoning, and infrastructure development.

Outside of the Wilder development and adjacent parcels, there is no land in Newport that meets the criteria as well for student housing. Other areas pose bigger challenges, such as more costly infrastructure development or transportation challenges for students.

ECONorthwest recommends that the OSU secure a property for development or obtain an option to purchase (or lease) a property as soon as possible. Wilder is proceeding with Phase 4 of development and the flexibility to incorporate student housing will decrease over time. Other sites may become unavailable for development, if landowners make other development plans.

- **OSU should develop a phasing strategy for HMSC expansion that includes managing student growth and timing of student housing development.** An important part of ensuring that students have housing in Newport as the HMSC grows is timing the development of student housing with the growth of students in Newport. If too much student housing is built before there is enough student growth, then housing might be vacant, which is a significant concern for developers. If not enough student housing is built to meet student growth, then students will have to rent housing in Newport (increasing pressure on the Newport housing market) or find housing in nearby communities (requiring automotive commuting to HMSC).

There are a number of ways to address this challenge. OSU can use existing housing at HMSC as a way to house students as HMSC expansion begins and if, after some student housing is built, more students come to HMSC before enough housing is built. In addition, there may be opportunities to work with developers to build student housing that also meets the needs of typical Newport renters, so that student housing could be rented to non-students easily.

We recommend that OSU develop a phasing strategy for HMSC expansion that includes managing the timing of student growth with student housing development.

- **The City, County, OSU, and OCCC should continue to work together to facilitate expansion of the HMSC and student housing development.** We recommend that the City, County, OSU, and OCCC continue to actively collaborate on HMSC expansion. We also recommend that each party ensure that other stakeholders, both public and private, are brought into the collaboration and into partnerships.

As OCCC continues to grow and expands its programs, it may attract more out-of-area students, some of whom may be interested in living with OSU students. A growing pool of students, both OCCC and OSU students, will be more attractive to private developers, who may be interested in building additional student housing after the initial OSU student housing is built.

In addition, other marine science or educational programs may have an interest in the student housing opportunities associated with the HMSC expansion. For example, OMSI's Coastal Discovery Center or the Oregon Coast Aquarium may have interns or AmeriCorps staff who would prefer to live in student housing.

We recommend continued collaboration by way of establishing a standing, active steering committee to guide collaboration among the public agencies and with other stakeholders.

- **The City of Newport, Lincoln County, and other cities in Lincoln County should continue to coordinate about issues related to housing and the HMSC expansion that may affect the entire county.** ECONorthwest recommends that the County and all of the cities in Lincoln County continue to actively collaborate on issues related to HMSC expansion, especially housing. While undergraduate students are most likely to need housing in South Beach, HMSC's faculty, staff, and some graduate students may prefer to live in other parts of Lincoln County.
- **The City and County should work together, and with other cities in the County, to decide whether to offer a multiple-unit tax exemption.** This tax exemption could be used to encourage development of multifamily,

student housing, and other housing in Newport or other cities in Lincoln County.

Other communities in Lincoln County may be interested in using this tool to encourage multifamily housing and would benefit from Newport and Lincoln County's experience in implementing it. Lincoln County and Newport should engage other cities in the County in the discussion about potential use of multiple-unit tax exemptions.

We recommend that the City of Newport and Lincoln County further evaluate the multiple-unit tax exemption. If there is interest in using the program, the first step is to identify one or more specific areas in Newport, where the City wants to encourage student or multifamily development, to implement the tax exemption. We also recommend customizing the tool by identifying the criteria for use of the tool (such as return on investment, sustainability, inclusion of community space, percentage affordable or workforce housing, etc.) and consider establishing a program cap.

- **The City and County should work together, and with other cities in Lincoln County, to evaluate options for using CDBG or Section 108 funds to encourage development of multifamily housing that includes low-income and workforce housing.** One of the ways to decrease potential impact of student growth on Newport's housing market is to encourage development of more multifamily housing, such as low-income subsidized and workforce housing. Two funding sources that other cities in Oregon use to support this type of housing development are CDBG and Section 108 loans.

We recommend that the City, County, and other cities in Lincoln County evaluate options to use CDBG funds or Section 108 loans to support multifamily housing development, as possible.

- **The City of Newport should consider options for offering SDC financing or credits to encourage multifamily or student housing development.** The City already offers SDC credits. The City should weigh the trade-offs in lowering SDCs to encourage multifamily or student housing development. Lower SDCs may make it more financially viable for private developers to build multifamily housing. This change might result in increased multifamily development. However, lowering SDCs for multifamily may require increasing SDCs for other development types or replacing the lost funds through a different fee or funding mechanism.

The City should review their SDC methodology and decide whether to adjust the methodology to lower SDCs for multifamily (including student) housing.

- **The City of Newport should evaluate whether areas in and around the Wilder development are zoned to allow for enough student housing and**

other multifamily housing development. The City should work with property owners around the Wilder development and the Oregon Department of Transportation to coordinate the amount, type, and density of residential development in this area. If necessary, the City of Newport should adjust the zoning in this area to allow for development of student housing and other multifamily housing.

- **The City of Newport should encourage and facilitate development of retail and service amenities in South Beach.** These amenities would include a grocery store, restaurants, banks, and other retail and services to serve students, residents, and employees in South Beach. Some opportunities for development of such amenities include:
 - *Highway 101 and 35th Street.* The City recently acquired a site for redevelopment at Highway 101 and 35th Street. The Newport Urban Renewal Agency will manage redevelopment of this site. Redevelopment of this site may focus on development of amenities and services to serve businesses and residents in South Beach, as well as visitors traveling on Highway 101.
 - *Highway 101 and 40th Street.* This site provides the opportunity for development of retail and services for businesses and residents in South Beach, as well as visitors traveling on Highway 101. Private developers could work together to develop this site.
 - *Commercial development in Wilder.* The plans for the Wilder development include incorporating commercial uses, such as a coffee shop or services such as a fitness facility.
- **The City of Newport should make policy amendments, as necessary, to support student housing development and HMSC expansion.** Policy amendments may include amendments to the Comprehensive Plan, expressing support for student housing development and HMSC expansion. If necessary, the City could change implementing ordinances to allow or encourage student housing development or HMSC expansion. In addition, the City should consider policy changes that support using tools, such as the multiple unit tax exemption, to encourage student housing and multifamily development.

We recommend that the City adopt policy amendments, such as the following Comprehensive Plan amendments:

Policy: The City of Newport will encourage development of multifamily housing, including student housing, throughout the City in areas that allow multifamily development. Increasing the supply of multifamily housing is crucial to meeting the needs of Newport's workforce and lower-income households, as well as to supporting student growth at the Hatfield Marine Science Center. The City will

identify and implement appropriate tools to support multifamily and student housing development.

Implementation Measure 1. The City of Newport will work with Lincoln County to evaluate the use of the multiple unit tax exemption to support multifamily development. If the City and County choose to offer the multiple unit tax exemption, they will work together to identify the area(s) to apply the tax exemption, develop criteria for offering the tax exemption, and set criteria for using the program (such as a programmatic cap).

Implementation Measure 2. The City of Newport will work with Lincoln County to evaluate the use of CDBG and Section 108 funds to support development of subsidized low-income and (where applicable) workforce multifamily housing.

Implementation Measure 3. The City of Newport will work with property owners around the Wilder development and the Oregon Department of Transportation to coordinate the amount, type, and density of residential development in this area. If necessary, the City of Newport will adjust the zoning in this area to allow for development of student housing and other multifamily housing.